

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 FEA-01

AEC-05 FPC-01 INT-05 OES-03 /103 W

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R 311211Z JAN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8202

INFO ALL EC CAPITALS 292

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: ENRG, EEC

SUBJECT: SOME EC COMMISSION VIEWS ON CURRENT ENERGY SITUATION

REF: A. EC BRUSSELS 823 (NOTAL) B. PARIS 829 C. EC BRUSSELS 644

1. SUMMARY: EC ENERGY OFFICIALS ARE NOT OPTIMISTIC ABOUT AGREEMENT ON GUARANTEES TO PRODUCER OF ALTERNATE SOURCES OF ENERGY AT THE FEBRUARY 5-7 IEA MEETING. THEY GIVE A BETTER CHANCE TO CONSERVATION MEASURES. END SUMMARY

2. IN AN EXCHANGE OF VIEWS WITH EC COMMISSION DIRECTOR GENERAL FOR ENERGY SPAAK AND THE DIRECTOR FOR HYDROCARBONS BRONDEL, THE FOLLOW-  
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ING POINTS EMERGED: (VIEWS ON STATE OF PREPARATIONS FOR CONSUMER/

PRODUCER CONFERENCE REPORTED REFTEL A.)

3. ALTERNATIVE SOURCES OF ENERGY AND PROTECTION AGAINST DOWN-SIDE RISK. BOTH SPAAK AND BRONDEL FELT THAT THE JANUARY 22-23 MEETING OF THE STANDING GROUP FOR LONG-TERM COOPERATION HAD NOT GONE WELL. WIDE DIFFERENCES IN THE POSITIONS OF THE EC MEMBER STATES PERSIST. NEITHER IS SANGUINE THAT AGREEMENT CAN BE REACHED AT THE GOVERNING BOARD MEETING FEBRUARY 5-7. BRONDEL NOTED THAT THE ONLY HOPE FOR REALPROGRESS WOULD BE IF THE DECISION-MAKING PROCESS WERE MOVED FROM THE EXPERT TO THE POLITICAL LEVEL BUT EVEN SO HE SEES ONLY A 50/50 CHANCE.

4. SPAAK SAID THAT THERE WERE DIFFERENCES IN THE US AND THE COMMISSION APPROACH TO THE PROBLEM OF HOW TO GUARANTEE PROFITABILITY OF INVESTMENT IN HIGHER COST ENERGY SOURCES AGAINST POSSIBLE LOWER PRICES BUT THAT THEY WERE MANAGEABLE -- WE WERE NOT ON A COLLISION COURSE. HE SAID BOTH THE US AND THE COMMISSION AGREED ON THE NEED FOR A TWO TIER APPROACH USING SOME FORM OF GENERAL "SAFETY NET" COMBINED WITH SPECIFIC INCENTIVES. HE SEES THE DIFFERENCE BETWEEN OUR POSITIONS AS THE RELATIVE WEIGHT THAT SHOULD BE ASSIGNED TO EACH TIER. AS HE SEES THE US POSITION, WE FAVOR EMPHASIS ON THE GENERAL APPROACH, WITH THE "SAFETY NET" SET AT A RELATIVELY HIGH LEVEL (BUT BELOW CURRENT PRICES). THAT IS UNDERSTANDABLE, HE SAID; PRODUCERS WANT TO ERRECT A PROTECTIVE WALL WITH HIGH ENERGY PRICES BEHIND IT. THE COMMUNITY RELIES MORE HEAVILY ON IMPORTS THAN WE DO, THUS THE COMMISSION WISHES TO PUT THE EMPHASIS ON SPECIFIC MEASURES SUCH AS DEFICIENCY PAYMENTS TO SUPPORT SPECIFIC INVESTMENTS. THE MOST DIFFICULT QUESTION, HE THOUGHT, WOULD BE ESTABLISHING A FIGURE FOR THE GENERAL "SAFETY NET".

5. WE ASKED SPAAK ABOUT REPORTS WE HAD HEARD THAT THE COMMISSION WAS WORKING ON A PROPOSAL FOR A COMMUNITY ENERGY FUND WHICH WOULD BE USED TO SUPPORT MARGINAL INVESTMENT (REFTEL B). HE SAID THERE WAS INDEED SUCH A PLAN UNDER CONSIDERATION BUT THAT SINCE THE COMMISSION HAD NOT GOTTEN ANY GUIDANCE OR MANDATE FROM THE COUNCIL ON JANUARY 20 THE COMMISSION'S HANDS WERE TIED. HE WAS RELUCTANT TO GO INTO DETAILS ABOUT THE PLAN BUT SAID THAT IT ENVISAGES SUPPORT FOR INVESTMENTS IN ALTERNATE SOURCES OUTSIDE THE NINE AS WELL AS WITHIN.

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6. CONSERVATION. BOTH SPAAK AND BRONDEL WERE MORE SANGUINE ABOUT THE PROSPECTS OF AGREEMENT IN THE GOVERNING BOARD MEETING ON CONSERVATION MEASURES. THE PROBLEM, THEY BELIEVE, WILL BE TO FIND AN ACCAPTABLE BASE PERIOD FROM WHICH TO COMPUTE REDUCTION OF CONSUMPTION. HE SAID THE COMMUNITY'S RECORD IN ENERGY CONSERVATION DURING 1974 HAD BEEN CONSIDERABLY BETTER THAN OURS. THEREFORE IF CURRENT CONSUMPTION LEVELS ARE ADOPTED AS A BASE IT WOULD

PENALIZE THE EUROPEANS.

7. COOPERATION AMONG THE NINE AND WITH THE FRENCH. BRONDEL SAID THE FRENCH HAD BEEN SURPRISINGLY COOPERATIVE -- MORE SO THAN THE OTHER EIGHT. THERE WERE CONSULTATIONS IN PARIS WITH THE FRENCH RIGHT BEFORE AND RIGHT AFTER EACH IEA MEETING AND IT SOMETIMES APPEARED THAT THE FRENCH WERE BETTER INFORMED THAN THE EIGHT. IT IS THE UK WHICH IS DRAGGING ITS FEET. HE SAID HE BELIEVED THE UK AND OTHERS IN FACT DID NOT WANT TO HAVE COMMON EC POLICIES ADOPTED PRIOR TO IEA POSITIONS. IF THE NINE CAME TO THE TABLE IN PARIS WITH A PREDETERMINED POSITION WITH WHICH THE US COULD AGREE, IT WOULD BE VERY LIKELY TO BE ADOPTED BY THE AGENCY WITH A MINIMUM OF DEBATE. CERTAIN MEMBER STATES BELIEVED THEY WERE IN A BETTER POSITION TO INFLUENCE THE FINAL OUTCOME IN THE IEA BY RETAINING THEIR FREEDOM OF MOVEMENT WITHIN THE AGENCY. BRONDEL OF COURSE REGRETTED THIS DEVELOPMENT WHICH ONCE AGAIN PUT THE COMMUNITY IN THE POSITION OF FOLLOWING THE IEA LEAD.

8. SPAAK AND BRONDEL BOTH PLUGGED FOR THE COMMISSION'S BEING INFORMED OF OUR VIEWS PRIOR TO IEA MEETINGS. IF THIS WERE DONE SPAAK SAID HE FELT THE COMMISSION WOULD BE ABLE TO HELP MOVE THE NINE TOWARDS THE US VIEW PRIOR TO IEA MEETINGS. HE APPEARED TO TAKE IT AS A GIVEN FACT THAT THE COMMISSION WOULD BE ABLE TO SIDE WITH US ON MOST ISSUES IF ONLY IT KNEW WHAT OUR SIDE WAS. WE REPEATED AMBASSADOR GREENWALD'S LINE TO SIMONET (REFTEL C) -- GOOD IN PRINCIPLE, HARDER IN PRACTICE.  
GREENWALD

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